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SUBJECT: GROWING INTERNET COMPETITION AND LAUNCH OF A 3G TENDER IN JORDAN

REFS:A) State 27310
B) 08 AMMAN 3368
C) 08 AMMAN 2782
D) 08 AMMAN 2490

11. (SBU) Summary: In response to ref A, this cable provides an update on Jordan's initiatives and strong government commitment to improve telecommunications and Internet connectivity. Such efforts led to an increase in Jordan's rank to 44 out of 134 countries in the World Economic Forum's (WEF) 2008-2009 Global Information Technology Report. Over 22% of Jordanian households accessed the Internet in 2008, and the Ministry of Information and Communications Technology (MOICT) expects Internet use to increase as prices fall with growing competition in international gateway access. Approximately 94% of Jordanian households have at least one cell phone, which is considered high for a country with a per capita income of about \$3,000. The Jordanian government issued a tender for a Third Generation (3G) mobile communications license on March 130. Job loss in the information technology sector remains low, and a government program seeks to support employment of new graduates. End Summary.

ICT READINESS

12. (U) Jordan ranked 44 out of 134 countries in the WEF's 2008-2009 Global Information Technology Report, compared to 47 out of 127 countries in 2007-2008. Jordan received its best rankings on government e-participation (#15); government prioritization of information and communications technology (ICT) (#17); and importance of ICT to government vision of the future (#18). It ranked lowest on monthly business telephone subscription (#107); computer imports (#110); and freedom of the press (#110). Overall, Jordan was tied with the Slovak Republic and had a higher ranking than Italy, China, and India. The report highlighted Jordan's successes in leveraging ICT to improve its economy, which was rare among low-income countries.

22% of Jordanians Accessed the Internet in 2008

13. (SBU) Jordan's Department of Statistics (DOS) reported that 40% of Jordanian households had a computer in 2008 and 22% were connected to the Internet compared to 16% in 2007. MOICT Secretary General Bashar Bashaiah clarified these numbers and acknowledged

that while fewer than 5% of households have a long-term Internet subscription, many households can access the Internet via pre-paid dial-up cards. He added that MOICT has worked to improve rural access by establishing computer workstations within community centers and through a Ministry initiative to link all public schools and universities to a national broadband backbone.

¶4. (SBU) Bashaireh predicted Internet use to increase as subscription costs fell. He said Jordan Telecom (JT) recently reduced its prices 15 - 20%, most likely in anticipation of its upcoming loss of monopoly control over the international gateway through Aqaba (ref C). Currently all Internet Service Providers, including the three new WiMax providers, rely on JT for such access which has kept connection prices high. In 2009, at least two additional international access points will be added - one through the West Bank and one through Saudi Arabia, with a potential fourth access point through Syria. Bashaireh predicted that consumer prices will fall by at least 50% once another international gateway is operational. He said adding such international redundancy has been one of the Ministry's top priorities, especially since the disruptions in service in Egypt in December.

94% of Jordanian Households Have a Cell Phone

¶5. (SBU) DOS reports that 94% of Jordanian households owned a cell phone in 2008, compared to 86% in 2007, and 75% of households have more than one mobile phone. In 2008, the average monthly household expenditure on mobile phones was \$35; a median Jordanian salary is approximately \$500 per month. The CEO of Orange Mobile, Majd Shweikeh, was quoted in the press that the potential for new mobile subscribers is very limited in Jordan and that future business

efforts will be focused on customer retention and new services rather than recruiting new customers. The WEF report estimated that the mobile phone sector in Jordan accounts for 5.3% of GDP which is more than double the average for other emerging market countries, and that penetration is particularly high given Jordan's low per capita income of approximately \$3,000.

3G Service Expected by the End of the Year

¶6. (SBU) The Telecommunications Regulatory Commission (TRC) floated on March 30, a long-delayed tender for 3G mobile telecommunications service in Jordan. TRC Chairman Ahmad Hiasat publicly announced that all telecommunications companies, both incumbents and outsiders, were welcome to participate and predicted that mobile wireless broadband data services would be operational by the end of the year. Incumbent operators had been lobbying TRC since June 2008 to limit participation to the four incumbent mobile providers, and in December 2008 they succeeded in delaying the spectrum auction by several months (ref D). The auction's reserve price has been set at \$35 million and the auction winner will also be eligible to purchase a separate 2G spectrum license. In addition to the license cost, all providers must also pay 10% of revenues to the government. Bashaireh expects at least one bidder for the 3G license and said that such 3G services are vital to Jordan's ability to market itself as a foreign direct investment destination.

¶7. (SBU) The 2G license is particularly needed by Xpress, Jordan's smallest provider. Xpress currently has a license to offer Motorola's iDEN "push to talk" technology but has struggled to attract customers. Xpress believes that a 2G license with GSM technology would allow it to better compete. The process for Xpress acquiring a 2G license has been controversial with Xpress arguing that other providers have not had to pay large sums for a license and the government now believing that a valuable asset like spectrum should be sold at a fair price. Xpress has been operating with a \$54 million Export/Import Bank loan that it will likely be unable to pay back if it cannot receive a 2G license.

Government Starts Program to Help with IT Employment

¶8. (SBU) Bashaireh said the ICT sector remains relatively strong in spite of the worldwide economic slowdown. He said that major e-government projects remain on-schedule (ref B). He added that the

GOJ has been looking for additional IT projects as a way of supporting local IT companies and helping them to minimize layoffs. He has heard rumors of layoffs in the industry but has not seen any data. Bashaireh explained that the Ministry is particularly concerned about recent IT graduates and has developed a program whereby the government pays 50% of the salary of an IT worker at a private Jordanian company for the first 12 months of employment. He said that small numbers of Jordanian IT workers have already returned from the Gulf, where the economy has been harder hit, but he predicted their arrival would remain slow until June and July when the school year ends.

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